GOVERNMENT OF ANDHRA PRADESH

ABSTRACT

Industries & Commerce Department - Waiver of Rs.4754.15 lakhs (Rs.4737.31 lakhs Interest + Rs.16.84 lakhs Penalty) due from the (5) Five Private Sugar Factories, located in Chittoor and Nellore Districts, subject to condition to pay the Principal amount of Rs.1925.23 lakhs to the State Ex-chequer in stipulated time under One Time Settlement (OTS) of the Purchase Tax due as on 30-09-2018– Orders - Issued.

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INDUSTRIES AND COMMERCE (Prog.II) DEPARTMENT

G.O.MS.No. 20 Dated: 29-01-2019

Read the following:-

1. From the Director of Sugar &Cane Commissioner, Tadepalli e-file No.325/2017/F1.
2. Govt., memo No.325/Prog-II/A2/2018, Dt:23.01.2018.
3. From the Director of Sugar &Cane Commissioner, Tadepalli Lr.Rc.No.F1/352/2017, Dt:01.02.2018
4. From the Director of Sugar &Cane Commissioner, Tadepalli, Lr.Rc.No.F1/352/2017, Dt:22.05.2018
5. From the Director of Sugar &Cane Commissioner, Tadepalli, Lr. Rc.No.F1/325/2017, Dated:24-10-2018
6. Minutes of the meeting of GoM held on 20.12.2018.

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ORDER:

In the reference 1st read above, the Director of Sugar &Cane Commissioner, has furnished a proposal for waiver of interest part of Purchase Tax dues and penalties of certain Sugar factories located in Chittoor and Nellore Districts subject to condition that they have to pay entire amount of Purchase Tax arrears within the schedule time under One Time Settlement as stipulated by Government as the factories are weak financial position. Further in his lr. Dt:24.10.2018 has stated that the Private Sugar Factories of Chittoor & Nellore have made a representation to the Hon'ble Minister for Sugar for waiver of Interest portion of Purchase Tax dues and penalties to be paid by the Sugar Factories Under One time settlement of Purchase Tax. A statement showing sugar factory-wise dues towards interest portion and penalty is shown hereunder.

Purchase tax dues of 5 Sugar Factories as on 30-09-2018(Rs.in lakhs)

S.No	Name of the Sugar Factory	Principal	Interest	Penalty	Total	Remarks
1	M/s.KBD Sugars, Punganur	516.67	1057.99	0.00	1574.66	
2	M/s.PrudentialSugars, Nindra	437.04	1423.30	0.00	1860.34	
3	M/s.SudalaguntaSugars, Unit-1,B.N.Kandriga, Chittoor	270.03	594.82	11.39	876.24	
4	M/s.Sudalagunta Sugars Unit-II, Podalakur, Nellore.	186.04	476.33	5.45	667.82	
5	M/s.Empee Sugars, Naidupeta	515.45	1184.87	0.00	1700.32	
	Total	1925.23	4737.31	16.84	6679.38	

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2. Accordingly Purchase Tax was levied and collected from the Sugar Factories up to 2000-2001. From 2001-2002 to 2016-17 season onwards the Government have issued orders every year regularly to pass on the entire purchase tax amount to the sugarcane growers as an incentive cane price and all the factories have paid the amount to the cane growers in compliance to the orders of the Government.

3. The Director of Sugar &Cane Commissioner, has further informed that the amount paid by the Sugar Factories has been adjusted first to the interest due and the remaining amount to the Principal part as per the procedure in vogue. The Private Sugar Factories of Chittoor and Nellore and M/s.Kirlampudi sugars limited, Pithauram (closed) and M/s.Sri Sarvaraya Sugars Limited, Chellure and Coop.Sugar Factories are in due of Purchase Tax payable to the Government. The Director of Sugar &Cane Commissioner, has stated the following rule position.

> **"As per Sub-Section (2) of Section 21 of A.P.Sugarcane (RS&P)Act,1961. "The Government may, by notification, remit in whole or in part such tax in respect of cane used or intended to be used in factory or Khandasari Unit" for any purpose specified in such notification."**

4. In the reference 5th read above the Director of Sugar &Cane Commissioner, has informed that the Private Sugar Factory managements of Chittoor & Nellore have stated the following reasons for their weak financial condition.

1)Non-availability of sufficient Sugar Cane due to prolonged dry spells & scanty rainfall in the Districts resulting under capacity utilization of Mills.
2) High manufacturing cost of sugar coupled with Low Sugar Price realization.
3) Low Sugar Recoveries and Fluctuations in sugar price.

5. The Director of Sugar &Cane Commissioner, has informed that the Assistant Cane Commissioners of Chittoor District and the Nellore District while forwarding for One time Settlement (ie.,OTS) in their remarks have stated that the Sugar Factories in question need support from the Government to sustain.

6. The Director of Sugar & Cane Commissioner has substantiated the proposal by indicating the Following position:

- as a result of a record excess sugar production of 322 lakh MTs and carry over stock of 40 lakh MTs. while the demand of 250 lakh MTs only in the Country, the Sugar Factories had to sell sugar even at Rs.2500 per Qtl., while the production cost of a bag of sugar exceeded Rs.3500/-, leaving the Sugar Mills at a loss of around Rs.300-700 per bag of sugar produced. The Sugar Mills in Andhra Pradesh have been affected more due to flood of sugar from Uttar Pradesh, Maharashtra and Karnataka at Rs.200 less than the Sugar rate of AP Sugar Mills on account of high sugar recoveries and less cost of cultivation in those States compared to Andhra Pradesh.

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- In addition to this, the Sugar Factories of Andhra Pradesh are with disadvantage of low sugar recoveries due to their location and under utilization of Plant capacities.
- All the States faced difficulty in payment of Cane price to the Cane suppliers and fell in due of cane price arrears for 2016-17 and 2017-18 seasons.
- Top sugar producing States like Maharashtra, Uttar Pradesh and Karnataka are dumping sugar in Andhra Pradesh at Rs.200 less a Qtl. of sugar. As a result of continuous losses to the Industry, 11 Mills out of 29 have been closed and some are in the edge of closure.
- Sugar Industry which is considered as a true rural growth engine is running under losses for the past several years continuously due to high cost of production of sugar and low realization from sugar. The Sugar Factories could clear part of Cane Price during 2017-18 by pooling from other sources. Still they are in due of Cane Price to the Sugarcane farmers**.**

7. The Director of Sugar &Cane Commissioner, has informed that the Sugar Factories of Chittoor and Nellore have suffered more due to under-utilization of Mill for non-availability of sufficient cane and low recoveries. Due to the continuous bad financial conditions, three Sugar Factories have been closed, One Sugar Factory has been reopened and crushed during 2017-18 season with 20% capacity utilization. All the Sugar Factories are facing difficulty in making cane price payments for the cane supplied during 2017-18. The Private Sugar Factory managements of Chittoor and Nellore Districts requested for Waiver of Rs.4737.31 lakhs and Rs.16.84 lakhs pertaining to Interest and Penalty respectively and agreed to pay the Principal amount of Rs. 1925.23 lakhs to the ex-chequer in stipulated time under One Time Settlement of the Purchase Tax (as on 30.09.2018) which may be beneficial to the Government as this dues are long pending.

8. The Director of Sugar &Cane Commissioner, therefore, requested the Government appropriate action may be taken on the representation of private sugar factories of Chittoor and Nellore to bail out the Industry by waiver of interest part of Purchase Tax dues and penalties subject to condition that they have to pay entire amount of Purchase Tax arrears within the schedule time under One Time Settlement as stipulated by Government.

9. In the reference 7th read above, the Group Of Ministers in the meeting held on 20.12.2018, have discussed the issues on problems/issues confronting the Sugar Sectors among the issues, the instant case i.e waiver of Purchase Tax, GoM resolved as follows:

1. To waive the interest & Penalties on Purchase Tax dues of Private Sugar Factories, subject to payment of Principal purchase Tax amount under OTS.

2. To waive the entire Purchase Tax dues including Principal, Interest & Penalties pertaining to the Coop. Sugar Factories including privatized Coop. Sugar Factories, NSF units and closed Khandasari Units.

10. Government after careful examination of the matter hereby accepted the proposal of Director of Sugar &Cane Commissioner and order for Waiver of Rs.4754.15, Lakhs (Rs.4737.31 lakhs interest and Rs.16.84 lakhs penalty) due from the five Sugar Factories viz. 1. **M/s.KBD Sugars, Punganur, 2. M/s.PrudentialSugars, Nindra, 3. M/s.SudalaguntaSugars, Unit-1,B.N.Kandriga, Chittoor, 4. M/s.Sudalagunta Sugars Unit-II, Podalakur, Nellore and 5.M/s.Empee Sugars, Naidupeta** located in Chittoor and Nellore Districts, subject to condition to pay the Principal amount of Rs. 1925.23 lakhs to the ex-chequer in stipulated time 3(Three) months under One Time Settlement of the Purchase Tax (as on 30.09.2018) which may be beneficial to the Government as said dues are long pending.

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11. The Director of Sugar and Cane Commissioner, A.P, Tadepalli, Guntur District is requested to take further necessary action in the matter.

12. 1This order issues with the concurrence of the Finance (FMU, I&C) Dept., vide their U.O.No.FIN01-FMU0ASD(IC)/10/2019-FMU-IC, dt.28.01.2019.

(BY ORDER AND IN THE NAME OF THE GOVERNOR OF ANDHRA PRADESH)

M. GIRIJA SHANKAR
SECRETARY TO GOVERNMENT

To
The Director of Sugar & Cane Commissioner, A.P, Tadepalli, Guntur District.
The District Collector, Chittor
The District Collector, Nellore
The Assistant Cane Commissioner, Mittor, Chittor
The Assistant Cane Commissioner, Stone Housepet, Nellore
M/s.KBD Sugars, Punganur, (through DoS&CC)
M/s.PrudentialSugars, Nindra (through DoS&CC)
M/s.SudalaguntaSugars, Unit-1,B.N.Kandriga, Chittoor, (through DoS&CC)
M/s.Sudalagunta Sugars Unit-II, Podalakur, Nellore(through DoS&CC)
M/s.Empee Sugars, Naidupeta, (through DoS&CC)
Copy to
The PS to the Minister for Industries
The PS to Secretary to Government (Food Processing)
The Public Enterprises Department.
The Agriculture & Cooperation Department.
The GAD (Cabinet) Department.
SF/SC.

//FORWARDED :: BY ORDER//

SECTION OFFICER